

LAKE IMPROVEMENTS COMMISSION

STORM LAKE, IOWA

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Board of Directors	1
Independent Auditors' Report	2 - 3
Management's Discussion and Analysis	4 - 6
Basic Financial Statements:	
Statement of Activities and Net Assets - Cash Basis	7
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances .	8
Notes to the Financial Statements	9 - 11
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	12 - 13
Schedule of Findings	14 - 15

LAKE IMPROVEMENTS COMMISSION

BOARD OF DIRECTORS

NAME

David Walker
Sara Huddleston
Ken Hach
Paul Merten
Gary Lalone
Steve Roth
Kathy Pomrenke

REPRESENTING

City of Storm Lake
City of Storm Lake
Buena Vista County
Buena Vista County
Lake Preservation Association
Lake Preservation Association
City of Lakeside

APPOINTED OFFICIALS

NAME

James Patrick
Justin Yarosevich

TITLE

Commission Administrator
Commission Secretary/Treasurer

WINTHER, STAVE & CO., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lake Improvements Commission
Storm Lake, IA 50588

We have audited the accompanying financial statements of the Lake Improvements Commission as of and for the year ended June 30, 2011. These financial statements are the responsibility of the Lake Improvements Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the Lake Improvements Commission as of June 30, 2011, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2011 on our consideration of the Lake Improvements Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Management's Discussion and Analysis on Pages 4 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wintner, Stave & Co., LLP

December 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Lake Improvements Commission (Commission) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the commission's financial statements, which follow.

Financial Highlights

The Commission's receipts increased approximately \$505,000 from fiscal 2010 to fiscal 2011, primarily due to an increase in grant receipts.

The Commission's disbursements increased approximately \$218,000 from fiscal 2010 to fiscal 2011, primarily due to a purchase of land.

The Commission's net assets increased approximately \$32,000 from June 30, 2010 to June 30, 2011.

Using This Annual Report

The Commission has elected to present its financial statements on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenue, expenses and the related assets and liabilities. Under the Commission's cash basis of accounting, revenue and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenue and liabilities and their related expenses are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

The annual report is presented in a format consistent with the presentation of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Commission's cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Lake Improvements Commission's basic financial statements. The Commission is organized pursuant to the provisions of Chapter 28E of the Code of Iowa and is a component unit of the City of Storm Lake, Iowa. This annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.
- The Statement of Activities and Net Assets - Cash Basis presents information about the governmental activities of the Commission as a whole and presents an overall view of the Commission's finances.

- The Statement of Cash Receipts, Disbursements and Changes in Cash Balances presents information on the Commission's receipts and disbursements, and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

The purpose of the Statement of Cash Receipts, Disbursements, and Changes in Cash Balances is to present the receipts received and the disbursements paid by the Commission. A summary of cash receipts, disbursements, and changes in cash balance for the years ended June 30, 2011 and 2010 is presented below.

Cash Receipts, Disbursements, and Changes in Cash Balances

	<u>2011</u>	<u>2010</u>
Receipts:		
Interest on investments	\$ 17,226	\$ 41,805
Intergovernmental	937,520	399,183
Other	<u>28,609</u>	<u>36,752</u>
Total Receipts	<u>983,355</u>	<u>477,740</u>
Disbursements:		
Equipment operations	251,749	320,020
Equipment repairs	62,849	81,837
Insurance	34,946	20,303
Contractual services	190,914	201,983
Supplies and capital outlay	<u>410,084</u>	<u>107,742</u>
Total Disbursements	<u>950,542</u>	<u>731,885</u>
Change in cash balance	32,813	(254,145)
Cash balance - beginning of year	<u>1,950,096</u>	<u>2,204,241</u>
Cash balance - end of year	<u>\$1,982,909</u>	<u>\$1,950,096</u>

In fiscal year 2011, receipts increased \$505,615 or 113%. The City saw an increase in state grants. In fiscal year 2011, disbursements increased by \$218,657 or 29.9%. The increase was primarily due to a purchase of land for the East Spoil Sight.

Financial Analysis of the Commission

Net assets serve as a useful indicator of financial position. The Commission's cash balance increased \$32,813 from a year ago. The analysis that follows focuses on the changes in cash balance.

Cash Receipts, Disbursements, and Changes in Cash Balances

	<u>2011</u>	<u>2010</u>
Receipts:		
Program receipts:		
Operating grants and contributions	\$ 900,497	\$ 322,920
General receipts:		
Grants and contributions not restricted to specific purposes	48,536	96,368
Unrestricted investments earnings	17,226	41,805
Miscellaneous	<u>17,096</u>	<u>16,647</u>
Total Receipts	983,355	477,740
Disbursements:		
General operations	<u>950,542</u>	<u>731,885</u>
Increase in cash basis net assets	32,813	(254,145)
Cash basis net assets - beginning of year	<u>1,950,096</u>	<u>2,204,241</u>
Cash basis net assets - end of year	<u>\$1,982,909</u>	<u>\$1,950,096</u>

Long-Term Debt

At June 30, 2011, the Commission had no outstanding debt.

Economic Factors

The current condition of the economy in the state continues to be a concern for Commission officials because operations are contingent on the continued support from federal, state and/or local government. Some of the realities that may potentially become challenges for the Commission to meet are:

- Equipment requires constant maintenance and upkeep.
- Increased fuel costs and operational costs.
- Cash flow issues because of the dependence on contributions and timeliness of federal, state, and/or local assistance.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues.

Contacting the Commission's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lake Improvements Commission, City of Storm Lake, Iowa, by phone at (712) 732-8000 or by email at justin@stormlake.org.

LAKE IMPROVEMENTS COMMISSION
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
JUNE 30, 2011

	<u>Disbursements</u>	<u>Program Receipts Operating Contributions and Grants</u>	<u>Net Receipts and Changes in Cash Basis Net Assets</u>
GOVERNMENTAL ACTIVITIES	\$ 950,542	\$ 900,497	\$ (50,045)
GENERAL RECEIPTS:			
Grants and contributions not restricted to specific purposes			48,536
Unrestricted interest on investments ...			17,226
Miscellaneous			<u>17,096</u>
TOTAL GENERAL RECEIPTS			<u>82,858</u>
CHANGE IN CASH BASIS NET ASSETS			32,813
CASH BASIS NET ASSETS - BEGINNING OF YEAR			<u>1,950,096</u>
CASH BASIS NET ASSETS - END OF YEAR			<u>\$1,982,909</u>
CASH BASIS NET ASSETS:			
Unrestricted			<u>\$1,982,909</u>

LAKE IMPROVEMENTS COMMISSION
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
YEAR ENDED JUNE 30, 2011

RECEIPTS:

Use of money and property:	
Interest on investments	\$ 17,226
Intergovernmental:	
EPA grants	870,497
Contributions - local governments	37,023
Noncash contribution - local government	30,000
Total intergovernmental	<u>937,520</u>
Miscellaneous:	
Rent	16,647
Contribution - other	11,513
Other	449
Total miscellaneous	<u>28,609</u>
TOTAL RECEIPTS	<u>983,355</u>

DISBURSEMENTS:

Equipment operations	251,749
Equipment repairs	62,849
Insurance	34,946
Contractual services	190,914
Supplies and capital outlay	410,084
TOTAL DISBURSEMENTS	<u>959,542</u>

CHANGE IN CASH BALANCE	32,813
------------------------------	--------

CASH BALANCE - BEGINNING OF YEAR	<u>1,950,096</u>
--	------------------

CASH BALANCE - END OF YEAR	<u>\$1,982,909</u>
----------------------------------	--------------------

CASH BASIS FUND BALANCE:

Unassigned	<u>\$1,982,909</u>
------------------	--------------------

LAKE IMPROVEMENTS COMMISSION
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Nature of Business

The Lake Improvements Commission (Commission) was formed in November 2002, pursuant to the provisions of Chapter 28E of the Code of Iowa. The primary purpose of the Commission is to finance and effect a continued dredging of Storm Lake to enhance the use of the lake for water recreation, to promote fishing and to guarantee the continued existence of this natural water resource. The secondary purpose is to identify and promote water quality/watershed projects to improve the water quality of the lake and minimize the re-accumulation of silt.

Members of the Commission consist of the City of Storm Lake, Iowa, the City of Lakeside, Iowa, Buena Vista County, Iowa, and the Lake Preservation Association for Storm Lake, Inc. (a nonprofit organization). The governing body of the Commission is comprised of one representative from the City of Lakeside and two representatives from each of the other members. The Commission is financially dependent upon member contributions.

Reporting Entity

For financial purposes, the Commission has included all funds, organizations, agencies, boards, commissions, and authorities. The Commission has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of the Commission are organized as a governmental fund. Governmental fund activities are supported by intergovernmental revenue and other operating grants. The Commission has a general operating fund, and all receipts are accounted for in this fund. From this fund are paid the general operating disbursements, fixed charges, and capital improvement costs. All net assets are considered unrestricted.

Basis of Accounting

The Commission maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the Commission are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present the financial position and results of operation of the Commission in accordance with accounting principles generally accepted in the United States of America.

Budget Information

The Lake Improvements Commission is not legally required to adopt a budget.

LAKE IMPROVEMENTS COMMISSION
NOTES TO FINANCIAL STATEMENTS - Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS -
Continued

Subsequent Events

The Commission has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. DEPOSITS AND INVESTMENTS

The Commission's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

3. RISK MANAGEMENT

According to the 28E Agreement, the Commission purchases and maintains general liability insurance covering all operations and public officials' liability insurance on behalf of its Board of Directors.

4. RELATED PARTY TRANSACTIONS

The Commission uses a dredge and associated equipment purchased by Buena Vista County. The Commission does not pay for the use of these items. The estimated fair value of the use of the equipment of \$30,000 has been recorded as a receipt and disbursement in the statement of cash, receipts, disbursements, and changes in cash balances and on the statement of activities and net assets - cash basis to recognize the estimated fair value of this noncash contribution.

5. LITIGATION

The Commission is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. Commission officials believe the outcome of these matters will not have a material adverse effect on the Commission's financial statements.

LAKE IMPROVEMENTS COMMISSION
NOTES TO FINANCIAL STATEMENTS - Continued

6. SUBSEQUENT EVENTS

Subsequent to June 30, 2011, the Commission approved a purchase of land for \$14,333 per acre.

WINTHER, STAVE & Co., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351
Phone 712-338-2488
FAX 712-338-2510

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Members
Lake Improvements Commission
Storm Lake, IA 50588

We have audited the accompanying financial statements of the Lake Improvements Commission (Commission) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 23, 2011. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the previous paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-11 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Commission's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Commission's responses, we did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the members of the Lake Improvements Commission and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Wintner, Stare & Co., LLP

December 23, 2011

LAKE IMPROVEMENTS COMMISSION
SCHEDULE OF FINDINGS

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-11 Financial Statement Preparation - During our audit, we noted the Commission does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash basis of accounting. As is inherent in many organizations of this size, the Commission has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply the cash basis of accounting in preparing the financial statements and the related disclosures.

Recommendation - The Commission should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

Response - The Commission will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Conclusion - Response accepted.

Instances of Noncompliance:

No matters were noted.

LAKE IMPROVEMENTS COMMISSION
SCHEDULE OF FINDINGS - Continued

Part II: Other Findings Related to the Statutory Reporting

- A. Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- B. Travel Expense - No disbursements of money for travel expenses of spouses of Commission officials or employees were noted.
- C. Commission Minutes - No transactions were found that we believe should have been included in the Commission minutes but were not.
- D. Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa. The Commission's deposits and investments are held by the City of Storm Lake and included in the City's depository resolution.